

CITY OF AKUTAN, ALASKA

Basic Financial Statements, Required
Supplementary Information, Additional Supplementary
Information and Compliance Reports

Year Ended June 30, 2020

CITY OF AKUTAN, ALASKA

Basic Financial Statements, Required
Supplementary Information, Additional Supplementary
Information and Compliance Reports

Year Ended June 30, 2020

CITY OF AKUTAN

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Independent Auditor's Report

Members of the City Council
City of Akutan
Akutan, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Akutan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability (Asset) – Public Employees' Retirement System, and Schedule of the City's Contributions – Public Employees' Retirement System on pages 42 and 43-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akutan's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Major Governmental Funds: Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (where applicable) for the General Fund, Permanent Special Revenue Fund, Boat Harbor Capital Projects Fund, Other Capital Projects Fund, and Water and Sewer Capital Project Funds; Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The “Additional Supplementary Information” listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2021, on our consideration of the City of Akutan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan’s internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
March 23, 2021

CITY OF AKUTAN

Statement of Net Position

June 30, 2020

Assets and Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 7,945,420	-	7,945,420
Receivables, net of allowance for doubtful allowance:			
Accounts/ Akutan Traditional Council	59,356	45,793	105,149
Fish taxes	404,229	-	404,229
Grants	109,651	-	109,651
Prepaid items	40,683	-	40,683
Fuel inventory	143,001	3,188	146,189
Investment in Southwest Governments, LLC	628,944	-	628,944
Internal balances	(254,564)	254,564	-
Net pension and OPEB assets	9,784	-	9,784
Capital assets not being depreciated - land and construction in progress	3,697,027	-	3,697,027
Other capital assets, net of accumulated depreciation	9,247,166	5,282,530	14,529,696
Total assets	<u>22,030,697</u>	<u>5,586,075</u>	<u>27,616,772</u>
Deferred outflows of resources -			
Pension and OPEB deferrals	<u>317,835</u>	<u>-</u>	<u>317,835</u>
Total assets and deferred outflows of resources	<u>\$ 22,348,532</u>	<u>5,586,075</u>	<u>27,934,607</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Accounts payable	261,965	8,431	270,396
Accrued payroll and benefits	35,007	3,761	38,768
Prepaid rent	8,200	-	8,200
Noncurrent liabilities:			
Due within one year:			
Accrued leave	90,536	11,844	102,380
Loans payable	-	2,526	2,526
Due in more than one year:			
Net pension and OPEB liability	1,791,666	-	1,791,666
Loans payable	<u>-</u>	<u>131,474</u>	<u>131,474</u>
Total liabilities	<u>2,187,374</u>	<u>158,036</u>	<u>2,345,410</u>
Deferred inflows of resources -			
Pension and OPEB deferrals	<u>204,822</u>	<u>-</u>	<u>204,822</u>
Net position:			
Net investment in capital assets	12,944,193	5,148,530	18,092,723
Unrestricted	<u>7,012,143</u>	<u>374,406</u>	<u>7,386,549</u>
Total net position	<u>19,956,336</u>	<u>5,522,936</u>	<u>25,479,272</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,348,532</u>	<u>5,680,972</u>	<u>28,029,504</u>

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Statement of Activities
Year Ended June 30, 2020

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 1,221,625	15,911	(16,099)	-	(1,221,813)	-	(1,221,813)
Public safety	110,513	-	(1,578)	-	(112,091)	-	(112,091)
Community services	168,220	32,668	(749)	-	(136,301)	-	(136,301)
Public works	518,650	165,404	7,803	1,030,474	685,031	-	685,031
Port authority	988,667	32,844	(6,700)	-	(962,523)	-	(962,523)
Total governmental activities	<u>3,007,675</u>	<u>246,827</u>	<u>(17,323)</u>	<u>1,030,474</u>	<u>(1,747,697)</u>	<u>-</u>	<u>(1,747,697)</u>
Business-type activities:							
Electric	607,401	435,653	-	-	-	(171,748)	(171,748)
Water and sewer	156,060	-	-	-	-	(156,060)	(156,060)
Total business-type activities	<u>763,461</u>	<u>435,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,808)</u>	<u>(327,808)</u>
Total primary government	<u>\$ 3,771,136</u>	<u>682,480</u>	<u>(17,323)</u>	<u>1,030,474</u>	<u>(1,747,697)</u>	<u>(327,808)</u>	<u>(2,075,505)</u>
General revenues:							
Fish taxes				\$ 2,063,964	-		2,063,964
Grants and entitlements not restricted to a specific purpose				1,316,417	-		1,316,417
Investment income				196,430	-		196,430
Aleutians East Borough grant				100,000	-		100,000
Other				721	-		721
Total general revenues				<u>3,677,532</u>	<u>-</u>		<u>3,677,532</u>
Transfers:							
Transfer from general fund to water and sewer enterprise fund				(82,203)	82,203		-
Capital assets transferred to water and sewer enterprise fund				(12,694)	12,694		-
Total general revenues and transfers				<u>3,582,635</u>	<u>94,897</u>		<u>3,677,532</u>
Change in net position				1,834,938	(232,911)		1,602,027
Net position, beginning of year				18,121,398	5,660,950		23,782,348
Net position, end of year				<u>\$ 19,956,336</u>	<u>5,428,039</u>		<u>25,384,375</u>

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Governmental Funds
Balance Sheet
June 30, 2020

		Major Funds					
		Capital Project funds					
Assets	General	Permanent Special Revenue Fund	Boat Harbor	Other Capital Projects	Water and Sewer	Other Governmental Funds	Total Govern- mental Funds
Cash and investments	\$ 5,330,042	1,688,577	-	926,002	-	799	7,945,420
Receivables:							
Fish taxes	404,229	-	-	-	-	-	404,229
Accounts	23,110	-	-	-	-	16,947	40,057
Grants	100,000	-	-	-	-	9,651	109,651
Other	9,095	-	-	-	-	-	9,095
Allowance for doubtful accounts	(27,360)	-	-	-	-	(15,000)	(42,360)
Prepaid items	40,683	-	-	-	-	-	40,683
Fuel inventory	22,029	-	-	-	-	120,972	143,001
Due from other funds	784,660	-	594,053	-	-	281,888	1,660,601
Long-term receivable - Akutan Traditional Council	52,564	-	-	-	-	-	52,564
Total assets	\$ 6,739,052	1,688,577	594,053	926,002	-	415,257	10,362,941
Liabilities, Deferred inflows of Resources and Fund Balances (Deficit)							
Liabilities:							
Accounts payable	67,208	-	95,633	-	138	98,986	261,965
Accrued payroll and benefits	32,662	-	-	-	-	2,345	35,007
Prepaid rent	8,200	-	-	-	-	-	8,200
Due to other funds	875,941	-	-	733,703	35,258	15,699	1,660,601
Due to Water and Sewer Enterprise fund	254,564	-	-	-	-	-	254,564
Total liabilities	1,238,575	-	95,633	733,703	35,396	117,030	2,220,337
Deferred inflows of resources:							
Unavailable revenue	-	-	-	-	-	500	500
Total liabilities and deferred inflows of resources	1,238,575	-	95,633	733,703	35,396	117,530	2,220,837
Fund balances (deficit):							
Nonspendable	115,276	-	-	-	-	120,972	236,248
Committed	-	1,688,577	498,420	192,299	-	282,687	2,661,983
Unassigned (deficit)	5,385,201	-	-	-	(35,396)	(105,932)	5,243,873
Total fund balances (deficit)	5,500,477	1,688,577	498,420	192,299	(35,396)	297,727	8,142,104
Total liabilities, deferred inflows of resources and fund balances	\$ 6,739,052	1,688,577	594,053	926,002	-	415,257	10,362,941

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net position
June 30, 2020

Total fund balances for governmental funds	\$	8,142,104
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Total net position reported for governmental activities in the
Statement of Net Position is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. These
assets, net of accumulated depreciation consist of:

Land and improvements	793,886	
Construction in progress	2,903,141	
Buildings and improvements	6,281,845	
Equipment	1,320,073	
Infrastructure	8,006,488	
Accumulated depreciation	<u>(6,361,240)</u>	
Total capital assets		12,944,193

The City's equity investment in Southwest Governments, LLC is not a current financial resource and is not reported in the funds.		628,944
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Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Unavailable revenue		500

City's proportionate share of collective net pension and OPEB assets- PERS		9,784
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Long-term liabilities, including note payable, accrued leave,
and accrued interest are not due and payable in the
current period and therefore are not reported as fund liabilities.

Accrued leave	(90,536)	
City's proportionate share of the collective net pension and OPEB liabilities-PERS	<u>(1,791,666)</u>	(1,882,202)

Deferred outflows and inflows of resources related to
pensions and OPEB are the result of timing differences in the
actuarial report:

Deferred outflows of resources - pension and OPEB deferrals	317,835	
Deferred inflows of resources - pension OPEB deferrals	<u>(204,822)</u>	
		<u>113,013</u>

Total net position of governmental activities	\$	<u><u>19,956,336</u></u>
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See accompanying notes to basic financial statements.

CITY OF AKUTAN

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended June 30, 2020

	Major Funds						
			Capital Projects				
		Permanent		Other	Water	Other	Total
	General	Special Revenue	Boat	Capital	and	Governmental	Governmental
		Fund	Harbor	Projects	Sewer	Funds	Funds
Revenues:							
Intergovernmental:							
State of Alaska	\$ 1,246,736	-	103,538	-	-	-	1,350,274
Federal sources	-	-	-	-	845,436	9,651	855,087
Local:							
Fish taxes	2,063,964	-	-	-	-	-	2,063,964
Aleutians East Borough grant	100,000	-	81,500	-	-	-	181,500
Charges for services	148,135	-	-	-	-	98,527	246,662
Investment income	50,166	87,171	-	12,172	-	2	149,511
Other revenues	139,210	-	-	-	-	-	139,210
Total revenues	3,748,211	87,171	185,038	12,172	845,436	108,180	4,986,208
Expenditures:							
Current:							
General government	1,397,991	6,267	-	-	-	-	1,404,258
Public safety	127,937	-	-	-	-	-	127,937
Community services	73,794	-	-	-	-	-	73,794
Public works	210,421	-	1,101,618	59,543	12,269	215,366	1,599,217
Port authority	914,293	-	-	-	-	-	914,293
Capital outlay	-	-	-	7,739	7,324	-	15,063
Total expenditures	2,724,436	6,267	1,101,618	67,282	19,593	215,366	4,134,562
Excess (deficiency) of revenues over expenditures	1,023,775	80,904	(916,580)	(55,110)	825,843	(107,186)	851,646
Other financing sources (uses):							
Transfers in	-	5,302	1,405,000	200,000	25,000	107,727	1,743,029
Transfers out	(1,825,232)	-	-	-	-	-	(1,825,232)
Net other financing sources (uses)	(1,825,232)	5,302	1,405,000	200,000	25,000	107,727	(82,203)
Net change in fund balances	(801,457)	86,206	488,420	144,890	850,843	541	769,443
Beginning fund balances (deficit)	6,301,934	1,602,371	10,000	47,409	(886,239)	297,186	7,372,661
Ending fund balances (deficit)	\$ 5,500,477	1,688,577	498,420	192,299	(35,396)	297,727	8,142,104

CITY OF AKUTAN

Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 769,443

The change in net position reported for governmental activities in the
Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However
in the Statement of Activities the cost of those assets
is allocate over their estimated useful lives.

Capital asset additions	\$ 1,178,859	
Depreciation expense	<u>(442,580)</u>	
		736,279

Capital assets transfered from governmental activities to business-type activities (12,694)

Unrealized gains and losses associated with the City's equity investments
in Southwest Governments, LLC are not current financial resources and
are not reported in the funds. 46,919

Certain revenues in the statement of activities do not provide current
financial resources and are reported as unearned or unavailable revenue
in the funds. The following are increases (decreases) in unavailable
revenues:

Fuel and Gas Special Revenue accounts receivables	165
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Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds:

Compensated absences, net change	(4,726)	
Change in the City's share of the unfunded pension and OPEB liability	<u>414,682</u>	
		409,956

Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report and adjustments to reflect the employer and non-employer contributions based on the measurement date of the net pension and OPEB liability	<u>(115,130)</u>
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Change in net position of governmental activities	<u><u>\$ 1,834,938</u></u>
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See accompanying notes to basic financial statements.

CITY OF AKUTAN

Proprietary Funds
Statement of Net Position
June 30, 2020

	Major Enterprise Funds		
	Electric	Water and Sewer	Total
Assets			
Current assets:			
Accounts receivable, Net	\$ 45,793	-	45,793
Fuel inventory	3,188	-	3,188
Due from general fund	91,757	162,807	254,564
Total current assets	140,738	162,807	303,545
Noncurrent assets:			
Capital assets being depreciated:			
Buildings and improvements	319,116	2,454,223	2,773,339
Service lines	1,667,656	625,000	2,292,656
Hydro plant	2,240,736	-	2,240,736
Equipment	1,232,211	-	1,232,211
Total capital assets being depreciated	5,459,719	3,079,223	8,538,942
Less accumulated depreciation	(2,610,381)	(646,031)	(3,256,412)
Capital assets, net of accumulated depreciation	2,849,338	2,433,192	5,282,530
Total assets	\$ 2,990,076	2,595,999	5,586,075
Liabilities and Net Position			
Current liabilities:			
Accounts payable	64	8,367	8,431
Accrued payroll and benefits	2,312	1,449	3,761
Current portion of note payable	-	2,526	2,526
Total current liabilities	2,376	12,342	14,718
Non-current liabilities:			
Accrued leave	2,701	9,143	11,844
Long-term debt -USDA	-	131,474	131,474
Total non-current liabilities	2,701	140,617	143,318
Net position:			
Net investment in capital assets	2,849,338	2,299,192	5,148,530
Unrestricted	135,661	238,745	374,406
Total net position	2,984,999	2,537,937	5,522,936
Total liabilities and net position	\$ 2,990,076	2,690,896	5,680,972

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Proprietary Funds
Statement of Revenues, Expenses and
Changes in Net Position
Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric	Water and Sewer	Total
Operating revenues:			
Charges for services	\$ 326,049	-	326,049
City electric usage	109,604	-	109,604
Total operating revenues	435,653	-	435,653
Operating expenses:			
Salaries and benefits	121,907	34,010	155,917
Outside services	64,269	-	64,269
Parts and supplies	23,869	13,902	37,771
Travel and per diem	6,457	-	6,457
Insurance	6,106	9,676	15,782
Electricity	-	22,444	22,444
Telephone	596	-	596
Fuel	153,345	313	153,658
Dues and fees	194	1,095	1,289
Freight	2,070	765	2,835
Depreciation	228,588	73,855	302,443
Miscellaneous	-	-	-
Total operating expenses	607,401	156,060	763,461
Income (loss) from operations	(171,748)	(156,060)	(327,808)
Nonoperating revenues (expense):			
Capital contributions	-	12,694	12,694
Transfers in - General Fund	-	82,203	82,203
Total nonoperating revenues	-	94,897	94,897
Change in net position	(171,748)	33,734	(138,014)
Net position, beginning of year	3,156,747	2,504,203	5,660,950
Net position, end of year	\$ 2,984,999	2,537,937	5,522,936

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Proprietary Fund
Statement of Cash Flows
Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric	Water and Sewer	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 464,497	-	464,497
Payments to suppliers	(256,111)	(40,414)	(296,525)
Payments to employees	(125,075)	(33,126)	(158,201)
Net cash flows provided (used) by operating activities	83,311	(73,540)	9,771
Cash flows provided noncapital financing activities:			
Internal activity - payments to/from other funds	(91,757)	(60,460)	(152,217)
Cash flows provided (used) by capital and related financing activities:			
Proceeds from issuance of long term debt	-	134,000	134,000
Net change in cash and cash equivalents	(8,446)	-	(8,446)
Beginning cash and cash equivalents	8,446	-	8,446
Ending cash and cash equivalents	\$ -	-	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(171,748)	(156,060)	(327,808)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation	228,588	73,855	302,443
(Increase) decrease in assets:			
Accounts receivable	28,844	-	28,844
Fuel inventory	2,177	-	2,177
Increase (decrease) in liabilities:			
Accounts payable	(1,382)	7,781	6,399
Accrued payroll and benefits	(748)	576	(172)
Accrued leave	(2,420)	308	(2,112)
Net cash flows (used) by operating activities	\$ 83,311	(73,540)	9,771
Noncash Capital Financing Activities:			
Capital contributions from governmental activities	\$ -	12,694	12,694

See accompanying notes to basic financial statements.

CITY OF AKUTAN

Notes to Basic Financial Statements June 30, 2020

(1) **Summary of Significant Accounting Policies**

Reporting Entity

The City of Akutan (City) was incorporated in 1979 as a second class city under the laws of the State of Alaska. The City operates under a Council-Mayor form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

The financial statements included in this report are for the City of Akutan only. There are no other component units for which the City of Akutan is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City conform to generally accepted accounting principles accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, grants and entitlements not restricted to a specific purpose, investment income, and other items not properly included among program revenues are reported instead as *general revenues*.

Deferred inflows of resources are the acquisition of fund balance/net position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of fund balance/net position by the City that are applicable to a future reporting period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are presented in a single column as "other government funds".

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except grant reimbursements to be available if they are collected within 60 days after year end. Grant reimbursements are considered available if they are collected within one year after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Fish taxes, charges for services, rentals, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

Entitlements and shared revenues are recorded at the time of a receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and when revenues are considered to be available and measurable, which is considered to be within 12 months of the end of the current fiscal period.

The City reports the following major funds:

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Permanent Special Revenue Fund* manages funds for operations in the event there is a fisheries decline or other community disaster.

The *Water and Sewer Capital Projects Fund* accounts for construction and improvements to water and sewer of City of Akutan.

The *Boat Harbor Capital Projects Fund* accounts for activities related to construction and improvements of the boat harbor.

The *Other Capital Projects Fund* accounts for activities related to construction and improvements of the dock and various other projects.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Major proprietary fund –

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *Water and Sewer Enterprise Fund* is used to account for the operations of the water and sewer utilities.

Additionally, the City reports the following fund types:

- Special Revenue Funds – accounts for revenue sources that are legally restricted or committed to expenditures for specific purposes.
- Capital Project Funds – accounts for the acquisition of the capital assets or construction of major capital projects not being financed by proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise fund and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue recognition of capital contributions are based on the requirements of the Governmental Accounting Standards Boards Certification N50 Non-exchange transactions.

Estimates

In preparing the financial statements, management of the City is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenditures/expenses for the period. Actual results could differ from those estimates.

Cash and Investments

The City follows Governmental Accounting Standards Boards Certification P80. This statement established standards for reporting cash flows of Proprietary Funds. For purposes of the statement of cash flows, the enterprise fund considers all equity in central treasury to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

The City's investments have maturities between less than one year to five years, and are reported at fair value in the accompanying financial statements.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

The City participates in the Alaska Municipal League Investment Pool (AMLIP) and invests in certificates of deposits insured by the Federal Depositary Insurance Corporation (FDIC) or secured by eligible collateral held by a third party in the City's name. AMLIP is not SEC registered and is unrated. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The AMLIP manager is required to produce monthly disclosure statements to the pool. The pool has also retained an investment advisor to monitor the performance of the investment manager and to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. AMLIP meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity and shadow price. There are no restrictions or limitations on withdrawals from AMLIP. As of June 30, 2020, the fair value of the investments in AMLIP approximates the amortized cost at which they are reported. The fair value of our investments in AMLIP is the same as the value of our AMLIP units.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepaid assets do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the fund financial statements.

Inventory

Inventories are valued at cost (first-in, first-out). Inventory consists of fuel held for resale and/or consumption by City departments. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. Reported inventories are equally offset by a portion of fund balance classified as nonspendable in the fund financial statements which indicates that these do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All account receivables are reported net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

Accrued Leave

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Infrastructure (dock, floats, etc.)	50 years
System infrastructure	20-50 years
Machinery and equipment	5-20 years

Unavailable Revenue

Resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered to be available.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form — long-term receivables, prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Such constraint is binding until legal or contractual requirement is repealed or the amount becomes spendable.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager reports to the Council a close to the end of the year as possible the anticipated year-end fund balance or deficit. The Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Net Position

Government-wide net position is divided into three components:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund and most Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. The Capital Project funds adopt project-length budgets.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including amendments made during the year.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The Administrator must submit to the City Council by May 1 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City Council to provide an opportunity for public comment.
- c. By June 15, by City Council action, the budget is legally enacted through passage of an ordinance. If the City Council fails to pass an ordinance, the budget submitted by the Administrator becomes the adopted budget.

In order to demonstrate budgetary compliance, accounting principles in the United States require that management provide certain budgetary comparison schedules for the General Fund and each major special revenue fund with an annually adopted budget. For fiscal year 2020, the City did not adopt a budget for the Permanent Special Revenue Fund. Therefore the budgetary schedule has not been presented with the required supplementary information.

(2) **Cash and Investments**

The City's cash and investment are comprised of the following at June 30, 2020:

Demand and money market accounts	\$ 6,287,220
Investments	<u>1,658,200</u>
	<u>\$ 7,945,420</u>

Except for the Permanent Special Revenue Fund, and Other Capital Projects Capital Project Fund all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative" cash, is included in "due to other funds." The City's cash is held in the form of demand accounts including checking, savings, and money market accounts held by commercial banks and money market funds in investment accounts as follows:

Money market funds	\$ 4,518,055
Bank deposits at carrying value	1,649,278
Certificates of deposit	102,513
Petty cash	<u>17,374</u>
Total	<u>\$ 6,287,220</u>

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Custodial Credit Risk

Deposits - the risk that, in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements although one of the City's current banking arrangements does not include collateralization and was uninsured to the extent of approximately \$1,166,874 at June 30, 2020.

Investments – the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment policy

The City's investment policy authorizes investments in:

1. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this City, of other cities of the State, and of boroughs of this State;
2. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
3. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held over night;
4. Investments through the Alaska Municipal League Investment Pool (AMLIP); and
5. Domestic, international, and real estate equities.

Interest rate risk - is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at June 30, 2020 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More Than 5
Equities	\$ 72,543	72,543	-	-
Mutual Funds:				
Large Cap Blend	247,372	247,372	-	-
Large Cap Value	6,210	6,210	-	-
International	166,206	166,206	-	-
Fixed Income	35,081	35,081	-	-
Fixed Income:				
Corporate Bonds	404,734	25,344	323,514	55,876
Government Mortgage				
Backed Securities	5,941	-	5,941	-
U.S Government Agency	42,354	-	-	42,354
U.S. Treasury Notes	677,759	-	495,528	182,231
Total investments	\$ 1,658,200	552,756	824,983	280,461

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Equities	\$ 72,543	72,543	-	-
Mutual Funds	454,869	454,869	-	-
Corporate Bonds	404,734	-	404,734	-
Mortgage Bonds	5,941	-	5,941	-
U.S. Government Agency	42,354	-	42,354	-
U.S. Treasury Notes	677,759	-	677,759	-
Total Investments	\$ 1,658,200	527,412	1,130,788	-

The AMLIP investments of \$4,518,055 are measured at amortized costs.

Credit risk - is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City investments in mutual funds of \$454,869 and Government Mortgage Backed Securities of \$72,543 were not rated. The City's investments in U.S Government Agencies of \$42,354, US. Treasury \$677,759 and Government Mortgage Backed Securities of \$5,941 were not rated. The City's investments in Corporate Bonds of \$404,734 were rated as follows by Standard and Poor's: \$27,024 A+, \$79,446 A, \$160,479 A-, and \$137,785 BBB+.

Concentration of Credit Risk

The City places no limit on the amount that the City can invest in any one issue. At June 30, 2020, more than 5% of the City's investments were held in securities of the issuer listed below:

Type of Investments	Amount	Of Investment
Large Cap Blend	\$ 247,372	14.92%
Large Cap Value	\$ 166,206	10.02%

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM for credit risk purposes.

(3) **Investment in Southwest Governments, LLC**

The City has purchased a 40 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the equity method. The City's balance in this investment at June 30, 2020 is \$628,944

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

(4) Accounts Receivable and Valuation Allowance

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2020, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

Governmental Funds						
	General	Boat Harbor Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	Electric Enterprise Fund	Total
Receivables:						
Fish taxes	\$ 404,229	-	-	404,229	-	404,229
Customers	23,110	-	16,947	40,057	45,793	85,850
Grants	100,000	-	9,651	109,651	-	109,651
Notes receivable	52,564	-	-	52,564	-	52,564
Other	9,095	-	-	9,095	-	9,095
Gross receivables	588,998	-	26,598	615,595	45,763	661,389
Less: allowance for uncollectibles	(27,360)	-	(15,000)	(42,360)	-	(42,360)
Net receivables	\$ 561,638	-	11,598	573,236	45,763	619,029

The City reports deferred inflows of resources for unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For the year ended June 30, 2020, total unavailable revenues amounted to \$500.

(5) Long-Term Receivable

In August 2010, the City signed an agreement with Akutan Traditional Council to loan \$100,400 to the Council for construction of six homes. The Council makes payments as funds are available. The long-term receivable at June 30, 2020 was \$52,564.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

(6) Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions & Transfers	Balance June 30, 2020
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 793,886	-	-	793,886
Construction in progress	<u>1,750,469</u>	<u>1,165,366</u>	<u>(12,694)</u>	<u>2,903,141</u>
Total capital assets not being depreciated	<u>2,544,355</u>	<u>1,165,366</u>	<u>(12,694)</u>	<u>3,697,027</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,281,845	-	-	6,281,845
Equipment	1,306,580	13,493	-	1,320,073
Infrastructure	<u>8,006,488</u>	<u>-</u>	<u>-</u>	<u>8,006,488</u>
Total capital assets being depreciated	<u>15,594,913</u>	<u>13,493</u>	<u>-</u>	<u>15,608,406</u>
Less accumulated depreciation for:				
Buildings and improvements	1,922,673	152,352	-	2,075,025
Equipment	764,988	74,150	-	839,138
Infrastructure	<u>3,230,999</u>	<u>216,078</u>	<u>-</u>	<u>3,447,077</u>
Total accumulated depreciation	<u>5,918,660</u>	<u>442,580</u>	<u>-</u>	<u>6,361,240</u>
Total capital assets being depreciated, net	<u>9,676,253</u>	<u>(429,087)</u>	<u>-</u>	<u>9,247,166</u>
Governmental activity capital assets, net	\$ <u>12,220,608</u>	<u>736,279</u>	<u>(12,694)</u>	<u>12,944,193</u>

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

	Balance July 1, 2019	Additions / Transfers	Deletions	Balance June 30, 2020
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ <u>1,942,709</u>	<u>12,694</u>	<u>(1,955,403)</u>	<u>-</u>
<i>Capital assets:</i>				
Buildings and improvements	817,936	1,955,403	-	2,773,339
Service lines	2,292,656	-	-	2,292,656
Hydro plant	2,240,736	-	-	2,240,736
Equipment	<u>1,232,211</u>	<u>-</u>	<u>-</u>	<u>1,232,211</u>
Total capital assets	<u>6,583,539</u>	<u>1,955,403</u>	<u>-</u>	<u>8,538,942</u>
Less accumulated depreciation for:				
Buildings and improvements	328,275	72,048	-	400,323
Service lines	1,189,848	64,771	-	1,254,619
Infrastructure	759,903	89,846	-	849,749
Equipment	<u>675,943</u>	<u>75,778</u>	<u>-</u>	<u>751,721</u>
Total accumulated depreciation	<u>2,953,969</u>	<u>302,443</u>	<u>-</u>	<u>3,256,412</u>
Business-type activity capital				
Assets being depreciated, net	<u>3,629,570</u>	<u>1,652,960</u>	<u>-</u>	<u>5,282,530</u>
Business-type activity capital assets, Net	\$ <u>5,572,279</u>	<u>1,665,654</u>	<u>(1,955,403)</u>	<u>5,282,530</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 40,789
Public safety	7,196
Community services	105,657
Public works	104,112
Port authority	<u>184,826</u>
Total governmental activities	\$ <u>442,580</u>

Business-type activities

Electric utility	\$ 228,588
Water and Sewer Utility	<u>73,855</u>
Total Business-type activities	\$ <u>302,443</u>

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

(7) Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Major governmental funds:		
Boat Harbor Capital Project Fund	General Fund	\$ 594,053
Other Governmental Funds	General Fund	281,888
General Fund	Other Capital Projects	733,703
General Fund	Water and Sewer Capital Project Fund	35,258
General Fund	Other Governmental Funds	15,699
Electric Enterprise Fund	General Fund	91,757
Water and Sewer Enterprise Fund	General Fund	162,807
		<u>\$ 1,915,165</u>

(b) Transfers:

From General Fund to:

Permanent Special Revenue Fund	\$ 5,302
Other governmental funds	107,727
Boat Harbor Capital Project Fund	1,405,000
Other Capital Projects Fund	200,000
Water and Sewer Capital Project Fund	25,000
Water and Sewer Enterprise Fund	<u>82,203</u>
Total transfers	<u>\$ 1,825,232</u>

(8) Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Accrued leave (net of payouts)	\$ 85,810	12,553	(7,827)	90,536	90,536
Net Pension and OPEB liability	<u>2,196,564</u>	<u>-</u>	<u>(414,682)</u>	<u>1,781,882</u>	<u>-</u>
Total	<u>2,282,374</u>	<u>12,553</u>	<u>422,509</u>	<u>1,872,418</u>	<u>90,536</u>
Business-type activities:					
Accrued leave (net of payouts)	\$ 13,956	308	(2,420)	11,844	11,844
Loans payable	<u>-</u>	<u>134,000</u>	<u>-</u>	<u>134,000</u>	<u>2,526</u>
Total	<u>\$ 13,956</u>	<u>134,308</u>	<u>(2,420)</u>	<u>145,844</u>	<u>14,370</u>

The notes payable of \$134,000 was received from USDA in April of 2020. Required annual payments are \$4,378 and has a maturity date of April 2060 with an interest rate of 1.375% per year.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Annual payments to maturity of the note payable is as follows:

Year ending June 30:	Loans Payable		
	Principal	Interest	Total
2021	\$ 2,526	1,852	4,378
2022	2,570	1,808	4,378
2023	2,606	1,772	4,378
2024	2,641	1,737	4,378
2025	2,678	1,700	4,378
2026-2030	13,951	7,939	21,890
2031-2035	14,937	6,953	21,890
2036-2040	15,993	5,897	21,890
2041-2045	17,123	4,767	21,890
2046-2050	18,333	3,557	21,890
2051-2055	19,628	2,262	21,890
2056-2060	21,014	876	21,890
	<u>\$ 134,000</u>	<u>41,120</u>	<u>175,120</u>

(9) Fund Balances

Fund balances, reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Permanent Special Revenue Fund	Boat Harbor Capital Projects Fund	Other Capital Projects Fund	Water and Sewer	Other Governmental Funds	Totals
Nonspendable:							
Inventory	\$ 22,029	-	-	-	-	120,972	143,001
Prepaid items	40,683	-	-	-	-	-	40,683
Long-term receivables	52,564	-	-	-	-	-	52,564
Total nonspendable	<u>\$ 115,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,972</u>	<u>236,248</u>
Committed:							
Permanent Fund	\$ -	1,688,577	-	-	-	-	1,688,577
Geothermal Development	-	-	-	-	-	252,875	252,875
Duplex Construction	-	-	-	-	-	29,812	29,812
Boat Harbor Projects	-	-	498,420	-	-	-	498,420
Other Capital Projects	-	-	-	192,299	-	-	192,299
Total committed	<u>-</u>	<u>1,688,577</u>	<u>498,420</u>	<u>192,299</u>	<u>-</u>	<u>282,687</u>	<u>2,661,983</u>
Unassigned (deficit)	<u>5,385,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,396)</u>	<u>(105,932)</u>	<u>5,243,903</u>
Total fund balances	<u>\$ 5,500,477</u>	<u>1,688,577</u>	<u>498,420</u>	<u>192,299</u>	<u>(35,396)</u>	<u>297,727</u>	<u>8,142,134</u>

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

(10) Landfill Closure and Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. However, at this time, the study to estimate the ultimate cost of closure and postclosure monitoring has not been completed. As a result, there is no accrual to provide for these costs in the financial statements.

(11) Employee Retirement Systems and Plans

The City follows *Governmental Accounting Standards Board (GASB) Codification P20*, Accounting for Pensions by State and Local Governmental Employees and *GASB Codification P50*, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition, and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan, PERS also administers other post-employment benefit (OPEB) plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB):	
Occupational Death and Disability Plan	Defined Benefit OPEB
Alaska Retiree Healthcare Trust Plan	Defined Benefit OPEB
Retiree Medical Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC):	
Healthcare Reimbursement Arrangement Plan	Cost-sharing, Defined Contribution OPEB

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. For the year ended June 30, 2020 the employer contribution rate is 0.72% for peace officers/firefighters and 0.26% for all others.

Membership in the plan consisted of the following at June 30, 2019 (latest available report):

Membership	PERS
Active plan members	22,311
Participating employers	154

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the year ended June 30, 2019 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2019 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not yet receiving benefits	7,361
Inactive plan members not entitled to benefits	10,808
Active plan members	12,316
Total plan membership	66,544

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. For the year ended June 30, 2020 employer contributions were 1.32%. Membership in the plan consists of the following at June 30, 2019 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,248
Active plan members	22,311
Total plan membership	37,005

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2019 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,248
Active plan members	22,311
Total plan membership	37,011

Investments

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

State of Alaska Department of Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board's fiduciary responsibility.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense, for the year ended June 30, 2019 (latest available report) for the DB Plan for PERS is 5.88%, for the ARHCT plan is 6.03%, for the ODD Plan is 6.22%, and for the RMP is 6.21%.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below for the PERS plan:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	8.16%
Global Equity (non-U.S.)	7.51%
Intermediate Treasuries	1.58%
Opportunistic	3.96%
Real Assets	4.76%
Private Equity	11.39%
Cash Equivalents	0.83%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities and assets is 7.38%, which represents a decrease of 0.62% since the prior measurement period. The projection of the cash flows used to determine the discount rate assumes that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the net pension and OPEB plans fiduciary net pension and OPEB liabilities and assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities and assets. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefits not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.79% as of June 30, 2019.

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to the salary floor, and other termination costs as described below. This rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses a 7.38% discount rate.

Employer Contribution rates for the year ended June 30, 2020 are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
PERS:			
Pension	15.72%	23.73%	6.62%
OPEB	6.28%	4.89%	0%
Total PERS contribution rates	22.00%	28.62%	6.62%

Termination Costs: If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2020 the past service rate for PERS is 17.44%.

Actuarial Assumptions: The total pension and OPEB liabilities on June 30, 2019 (latest available) were determined by an actuarial valuation as of June 30, 2018 which was rolled forward to the measurement date June 30, 2019. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017.

Investment return / discount rate	7.38% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 2.5% per year Productivity – 0.25% per year
Payroll growth	2.75% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 2.5% annually.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Mortality (Pre-termination)	Based upon 2013-2017 actual mortality experience, 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement.
Mortality (Post-termination)	Mortality rates based upon the 2013-2017 actual experience. 91% of male and 96% of female rates of RP-2014 health annuitant table with MP-2017 generational improvement.
Total turnover	Based upon the 2013-2017 actual withdrawal experience.
Disability	Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others.
Retirement	Retirement rates based upon the 2013-2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date.
Marriage and age difference	Males are assumed to be three years older than their wives. Females are assumed to be two years younger than their husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drugs: 8.5% grading down to 4.5% EGWP: 8.5% grading down to 4.5%.

As a result of the latest experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. In addition to the changes in assumptions resulting from the experience study, the following assumption changes related to the ARHCT plan have been made since the prior valuation:

1. Based on recent experience, the healthcare cost trend assumptions were updated.
2. Per capita claims costs were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect a Cadillac Tax load.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

The changes of assumptions from the latest experience study created substantial deferred outflows of resources attributable to the City, as well as an OPEB benefit recognized by the City for the State's proportionate share of OPEB plan expense attributable to the City. In some instances the reduction of revenues and expenses reported for the State's proportionate share of OPEB plan expense attributable to the City creates a net negative Pension/OPEB expense (net pension/OPEB benefit) which results in negative operating grants and contributions for certain functions reported on the Statement of Activities.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at: <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For Tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 154 employers participating in PERS defined benefit plan, including the State of Alaska and 153 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2019 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not receiving benefits	7,361
Inactive members not entitled to benefits	10,808
Active plan members	<u>12,316</u>
Total DB plan membership	<u>66,544</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for peace officers/firefighters members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006, and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Employee Contribution Rate. The City's PERS active members are required to contribute 7.5% of their annual covered salary for peace officers/firefighters and 6.75% for all others.

Employer contributions for the year ended June 30, 2020, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	101,534	51,738	153,272

Public Employees Retirement Plans

For the year ended June 30, 2020 the State of Alaska contributed \$68,808 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2019 to a total of (\$26,974), to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Pension and OPEB Liabilities and Assets, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2020, the City reported liabilities and assets that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities (assets), the related State support, and the total portion of the net pension and OPEB liabilities (assets) that were associated with the City were as follows:

Defined Benefit:		Pension
City's proportionate share of the net pension liability	\$	1,732,530
State's proportionate share of the net pension liability		688,122
Total	\$	<u>2,420,652</u>
		OPEB
City's proportionate share of the ARHCT OPEB liability	\$	46,998
State's proportionate share of the ARHCT OPEB liability		18,637
Total	\$	<u>65,635</u>
City's proportionate share of the ODD OPEB liability (asset)	\$	<u>(9,748)</u>
City's proportionate share of the RMP OPEB liability	\$	<u>12,102</u>
Total City's share of net pension and OPEB liabilities and assets	\$	<u>1,781,882</u>

The net pension and OPEB liabilities and assets were measured as of June 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities and assets were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities and assets were based on the present value of contributions for FY2021 through FY2039, as determined by projections based on the June 30, 2019 valuation.

The City's proportionate share and changes in the pension and OPEB liabilities and assets were as follows:

	June 30, 2018 Measurement	June 30, 2019 Measurement	Change
Pension	0.0367%	0.0317%	(0.005%)
OPEB:			
ARHCT	0.0367%	0.0317%	(0.005%)
ODD	0.0489%	0.0402%	(0.009%)
RMP	0.0489%	0.0506%	0.0017%

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Based on the measurement date of June 30, 2019, the City recognized pension and OPEB expense of \$228,718 and (\$394,019), respectively, for the year ended June 30, 2020. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	(25,648)
Changes of assumptions	53,042	-
Net difference between projected and actual earnings on pension plan investments	24,841	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(91,931)
City contributions subsequent to the measurement date	101,534	-
Total	<u>\$ 179,417</u>	<u>(117,579)</u>
	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(31,582)
Changes of assumptions	62,366	-
Net difference between projected and actual earnings on OPEB plan investments	-	(20,580)
Changes in proportion and differences between City contributions and proportionate share of contributions	10,297	(24,102)
City contributions subsequent to the measurement date	40,734	-
Total	<u>\$ 113,397</u>	<u>(76,264)</u>

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(3,039)
Changes of assumptions	-	(186)
Net difference between projected and actual earnings on OPEB plan investments	-	(64)
Changes in proportion and differences between City contributions and proportionate share of contributions	5,327	(3,962)
City contributions subsequent to the measurement date	1,811	-
Total	\$ <u>7,138</u>	<u>(7,251)</u>

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(896)
Changes of assumptions	5,858	-
Net difference between projected and actual earnings on OPEB plan investments	-	(134)
Changes in proportion and differences between City contributions and proportionate share of contributions	2,832	(2,698)
City contributions subsequent to the measurement date	9,193	-
Total	\$ <u>17,883</u>	<u>(3,728)</u>

\$101,534 and \$51,738 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities and as an increase to the net pension and OPEB assets in the year ended June 30, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2020	\$ (36,974)	983	(417)	582
2021	(18,340)	(15,997)	(417)	582
2022	7,048	4,951	(328)	902
2023	8,570	6,462	(326)	897
2024	-	-	(356)	774
Thereafter	-	-	(80)	1,225
Total	\$ <u>(39,696)</u>	<u>(3,601)</u>	<u>(1,924)</u>	<u>4,962</u>

For the year ended June 30, 2020, the City recognized (\$100,116) and \$21,148 of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

Sensitivity of the Net Pension and OPEB Liabilities and Assets to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities and assets of the plan calculated using the discount rate of 7.38%, as well as what the Plans' net pension and OPEB liabilities and assets would be if they were calculated using a discount rate that is 1-percentage-point lower (6.38%) or 1-percentage-point higher (8.38%) than the current rate:

		1% Decrease (6.38%)	Current Rate (7.38%)	1% Increase (8.38%)
Net pension liability (asset)	\$	2,286,636	1,732,530	1,268,485
Net OPEB ARHCT liability (asset)	\$	378,041	46,998	(225,321)
Net OPEB ODD liability (asset)	\$	(9,247)	(9,748)	(10,154)
Net OPEB RMP liability	\$	30,395	12,102	(1,671)

Sensitivity of the City's proportionate share of the Net OPEB liability and assets to changes in the healthcare cost trend rates. The following present the City's proportionate share of the net OPEB liability (asset), as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Current Rate	1% Increase
Net OPEB ARHCT liability (asset)	\$	(257,171)	46,998	418,199
Net OPEB ODD liability (asset)	\$	-	(9,748)	-
Net OPEB RMP liability (asset)	\$	(3,722)	12,102	33,763

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.32% for the retiree medical plan (DB), 0.26% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Additionally, there is a defined benefit unfunded liability (DBUL) amount levied against the DC plan and allocated to the DB Plan's pension and OPEB contribution.

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

The City contributed \$64,250 for the year ended June 30, 2020.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

(12) Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability.

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

(13) Subsequent Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 84 – *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2019
- GASB 87 – *Leases*. Effective for fiscal years beginning after June 15, 2021.
- GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.
- GASB 90 – *Majority equity interests*. Effective for fiscal years beginning after December 15, 2019.
- GASB 91 – *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.
- GASB 92 – *Omnibus 2020*. This Statement has multiple effective dates which vary by topic.
- GASB 93 – *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.
- GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. Effective immediately.
- GASB 96 – *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for fiscal years beginning after June 15, 2021.

GASB Statements No. 84, 94 and 97 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF AKUTAN

Notes to Basic Financial Statements, Continued

GASB Statement No. 89 requires interest costs incurred before the end of a construction period to be recognized as an expenditure or expense in the period in which the cost is incurred for financial statements prepared under the current financial resources measurement focus or the economic resource measurement focus.

GASB Statement No. 90 requires a majority equity interest in a legally separate entity should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority interests at fair value. For all other holdings of majority interests in a legally separate entity, a government should report the legal separate entity as a component unit.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures

GASB Statement No. 92, the objectives of this Statement are to enhance comparability and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, addresses the fact that some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

GASB Statement No. 95 provides temporary relief to governments in light of the COVID-19 pandemic. The effective dates of the following pronouncement are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93. The effective date for GASB 87 has been postponed by 18 months.

GASB Statement No. 96 will improve financial reporting by establishing a definition for Subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Original and Final Budget and Actual
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
State of Alaska	\$ 1,250,000	1,205,831	1,246,736	40,905
Local:				
Fish taxes	2,100,000	1,800,000	2,063,964	263,964
Aleutians East Borough community assistance grant	81,500	-	100,000	100,000
Investment income	52,500	68,500	50,166	(18,334)
Charges for services	704,800	85,250	148,135	62,885
Other revenues	423,404	141,589	139,210	(2,379)
Total revenues	<u>4,612,204</u>	<u>3,301,170</u>	<u>3,748,211</u>	<u>447,041</u>
Expenditures:				
Current:				
General government	1,525,450	1,554,750	1,397,991	156,759
Public safety	127,392	118,450	127,937	(9,487)
Community services	101,000	116,800	73,794	43,006
Public works	362,050	407,550	210,421	197,129
Port authority	1,207,084	603,587	914,293	(310,706)
Total expenditures	<u>3,322,976</u>	<u>2,801,137</u>	<u>2,724,436</u>	<u>76,701</u>
Excess of revenues over expenditures	<u>1,289,228</u>	<u>500,033</u>	<u>1,023,775</u>	<u>523,742</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(1,250,774)</u>	<u>(2,028,768)</u>	<u>(1,825,232)</u>	<u>203,536</u>
Total other financing sources (uses)	<u>(1,250,774)</u>	<u>(2,028,768)</u>	<u>(1,825,232)</u>	<u>203,536</u>
Net change in fund balance	\$ <u>38,454</u>	<u>(1,528,735)</u>	<u>(801,457)</u>	<u>727,278</u>
Beginning fund balance			<u>6,301,934</u>	
Ending fund balance			\$ <u>5,500,477</u>	

Notes to Schedule:

1. The Governmental Accounting Standards Board requires budget and actual presentation for the General Fund and any major special revenue Funds to include the original budget, final budget, and actual results on a budgetary basis. The budgetary comparison schedules are presented on the modified accrual basis of accounting.
2. There was no legally adopted budget for the Permanent Special Revenue Fund.

CITY OF AKUTAN

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

Public Employees' Retirement System (PERS)

June 30, 2020

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0189%	\$ 882,277	\$ 664,805	\$ 1,547,082	\$ 721,914	122%	62.37%
2016	0.0403%	\$ 1,952,237	\$ 524,021	\$ 2,476,258	\$ 675,036	289%	63.96%
2017	0.0266%	\$ 1,483,815	\$ 185,032	\$ 1,668,847	\$ 855,668	173%	59.55%
2018	0.0323%	\$ 1,668,186	\$ 620,432	\$ 2,288,618	\$ 1,359,055	123%	63.37%
2019	0.0367%	\$ 1,823,667	\$ 528,235	\$ 2,351,902	\$ 861,709	212%	65.19%
2020	0.0317%	\$ 1,732,530	\$ 688,122	\$ 2,420,652	\$ 1,947,550	89%	63.42%

Notes to Schedule:

1. The plan measurement date is one year prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF AKUTAN

Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

Public Employees' Retirement System (PERS)

June 30, 2020

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
Alaska Retiree Healthcare Trust Plan (ARHCT):							
2018	0.0322%	\$ 272,373	\$ 100,940	\$ 373,313	\$ 1,359,055	20.04%	89.68%
2019	0.0367%	\$ 376,172	\$ 110,245	\$ 486,417	\$ 861,709	43.65%	88.12%
2020	0.0317%	\$ 46,998	\$ 18,637	\$ 65,635	\$ 1,947,550	2.41%	98.13%
Occupational Death and Disability (ODD):							
2018	0.0933%	\$ (13,235)	\$ -	\$ (13,235)	\$ 1,359,055	-0.97%	212.97%
2019	0.0489%	\$ (9,497)	\$ -	\$ (9,497)	\$ 861,709	-1.10%	270.62%
2020	0.0402%	\$ (9,748)	\$ -	\$ (9,748)	\$ 1,947,550	-0.50%	297.43%
Retiree Medical Plan (RMP):							
2018	0.0933%	\$ 4,864	\$ -	\$ 4,864	\$ 616,628	0.79%	93.98%
2019	0.0489%	\$ 6,222	\$ -	\$ 6,222	\$ 603,292	1.03%	88.71%
2020	0.0506%	\$ 12,102	\$ -	\$ 12,102	\$ 452,109	2.68%	83.17%

Notes to Schedule:

1. The plan measurement date is one year prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF AKUTAN

Schedule of the City's Contributions (Pensions)

Public Employees' Retirement System (PERS)

June 30, 2020

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 64,269	\$ (64,269)	\$ -	\$ 675,036	9.52%
2016	\$ 82,184	\$ (82,184)	\$ -	\$ 855,668	9.60%
2017	\$ 121,739	\$ (121,739)	\$ -	\$ 1,359,055	8.96%
2018	\$ 113,042	\$ (113,042)	\$ -	\$ 861,709	13.12%
2019	\$ 108,829	\$ (108,428)	\$ 401	\$ 1,947,550	5.59%
2020	\$ 101,976	\$ (101,534)	\$ 442	\$ 988,736	10.31%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF AKUTAN

Schedule of the City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2020

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Alaska Retiree Healthcare Trust Plan (ARHCT):					
2018	\$ 31,934	\$ (31,934)	\$ -	\$ 861,709	3.71%
2019	\$ 39,695	\$ (39,695)	\$ -	\$ 1,947,550	2.04%
2020	\$ 40,734	\$ (40,734)	\$ -	\$ 988,736	4.12%
Occupational Death and Disability (ODD):					
2018	\$ 885	\$ (885)	\$ -	\$ 861,709	0.10%
2019	\$ 1,642	\$ (1,642)	\$ -	\$ 1,947,550	0.08%
2020	\$ 1,811	\$ (1,811)	\$ -	\$ 988,736	0.18%
Retiree Medical Plan (RMP):					
2018	\$ 5,700	\$ (5,700)	\$ -	\$ 603,292	0.94%
2019	\$ 5,936	\$ (5,936)	\$ -	\$ 452,109	1.31%
2020	\$ 9,193	\$ (9,193)	\$ -	\$ 292,045	3.15%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF AKUTAN

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
State of Alaska:			
Fisheries business tax sharing	\$ 900,000	1,031,674	131,674
Shared fisheries business and landing tax	170,000	57,178	(112,822)
Revenue sharing	88,831	89,076	245
PERS relief	47,000	68,808	21,808
Total State of Alaska	1,205,831	1,246,736	40,905
Local:			
Fish taxes	1,800,000	2,063,964	263,964
Aleutians East Borough community assistance grant	-	100,000	100,000
Investment income	68,500	50,166	(18,334)
Total Local	1,868,500	2,214,130	345,630
Charges for services:			
Airport service fees	-	28,000	28,000
Apartment rental	17,000	41,506	24,506
IHS clinic lease	28,089	31,423	3,334
Trident lease	15,911	15,911	-
Skiff moorage	2,500	4,844	2,344
Cable fees	19,250	25,239	5,989
Electricity	-	132	132
Surf inn sales	2,500	1,080	(1,420)
Total charges for services	85,250	148,135	62,885
Other revenues:			
APICDA community support	138,589	138,489	(100)
Miscellaneous	3,000	721	(2,279)
Total other revenues	141,589	139,210	(2,379)
Total revenues	3,301,170	3,748,211	447,041
Expenditures:			
Current:			
General government:			
Mayor and council:			
Salaries and benefits	\$ 225,000	193,979	31,021
Travel and per diem	5,000	19,167	(14,167)
Dues and fees	1,500	400	1,100
Contributions	25,000	3,499	21,501
Freight	-	2,347	(2,347)
Miscellaneous	1,000	1,160	(160)
Total mayor and council	257,500	220,552	36,948

(Continued)

CITY OF AKUTAN

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures:			
Current:			
General government:			
Planning and zoning:			
Salaries and benefits	7,000	-	7,000
Contractual services	10,000	2,913	7,087
Travel and per diem	2,000	-	2,000
Dues and fees	1,000	-	1,000
Insurance	500	-	500
Legal	15,000	743	14,257
Miscellaneous	1,500	-	1,500
Total planning and zoning	<u>37,000</u>	<u>3,656</u>	<u>33,344</u>
Administration:			
Salaries and benefits	839,200	755,057	84,143
Contractual services	121,000	130,854	(9,854)
Outside services	1,000	79	921
Travel and per diem	35,000	10,637	24,363
Parts and supplies	12,000	12,564	(564)
Rent	50,000	36,777	13,223
Insurance	28,000	29,867	(1,867)
Telephone	25,000	36,690	(11,690)
Electricity	3,000	14,676	(11,676)
Dues and fees	10,000	4,585	5,415
Freight	1,300	1,149	151
Equipment	-	393	(393)
Bank fees	3,450	4,333	(883)
Lobbying	125,000	123,125	1,875
Repairs and maintenance	1,000	-	1,000
Fuel	3,200	2,639	561
Contributions	-	943	(943)
Miscellaneous	2,100	9,415	(7,315)
Total administration	<u>1,260,250</u>	<u>1,173,783</u>	<u>86,467</u>
Total general government	<u>1,554,750</u>	<u>1,397,991</u>	<u>156,759</u>

(Continued)

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Public safety:			
Salaries and benefits	\$ 90,000	92,578	(2,578)
Parts and supplies	800	1,591	(791)
Travel	-	429	(429)
Insurance	3,900	1,388	2,512
Repairs and maintenance	500	-	500
Equipment	15,000	6,850	8,150
Telephone	2,000	1,054	946
Electricity	1,000	20,520	(19,520)
Freight	-	1,582	(1,582)
Fuel	3,750	1,945	1,805
Miscellaneous	1,500	-	1,500
Total public safety	<u>118,450</u>	<u>127,937</u>	<u>(9,487)</u>
Community services:			
Clinic and health:			
Salaries and benefits	1,500	495	1,005
Parts and supplies	-	17	(17)
Insurance	2,300	3,026	(726)
Repairs and maintenance	5,000	-	5,000
Electricity	-	1,025	(1,025)
Fuel	-	1,397	(1,397)
Miscellaneous	1,000	-	1,000
Total clinic and health	<u>9,800</u>	<u>5,960</u>	<u>3,840</u>
Library:			
Salaries and benefits	60,000	46,135	13,865
Parts and supplies	3,000	3,104	(104)
Insurance	3,200	1,189	2,011
Repairs and maintenance	500	-	500
Telephone	200	306	(106)
Freight	-	79	(79)
Electricity	1,500	1,840	(340)
Fuel	1,200	1,830	(630)
Subscriptions	1,000	477	523
Miscellaneous	2,500	-	2,500
Total library	<u>73,100</u>	<u>54,960</u>	<u>18,140</u>

(Continued)

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Daycare:			
Salaries and benefits	\$ 24,000	2,794	21,206
Parts and supplies	1,250	173	1,077
Insurance	2,800	3,745	(945)
Repairs and maintenance	250	-	250
Telephone	500	779	(279)
Electricity	600	1,789	(1,189)
Fuel	2,500	3,444	(944)
Subscriptions	1,200	150	1,050
Postage	300	-	300
Miscellaneous	500	-	500
Total daycare	<u>33,900</u>	<u>12,874</u>	<u>21,026</u>
Total community services	<u>116,800</u>	<u>73,794</u>	<u>43,006</u>
Public works:			
Administration:			
Salaries and benefits	170,000	27,360	142,640
Contractual services	2,000	855	1,145
Outside services	-	20,673	(20,673)
Building	20,000	-	20,000
Travel and per diem	-	800	(800)
Parts and supplies	10,000	7,071	2,929
Insurance	4,500	5,540	(1,040)
Equipment	5,000	-	5,000
Repairs and maintenance	5,000	-	5,000
Freight	2,000	9,088	(7,088)
Electricity	200	1,224	(1,024)
Fuel	1,200	369	831
Contributions	25,000	14,007	10,993
Postage	300	-	300
Dues and fees	300	-	300
Miscellaneous	2,500	-	2,500
Total administration	<u>248,000</u>	<u>86,987</u>	<u>161,013</u>

(Continued)

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Cable:			
Salaries and benefits	\$ 37,000	11,811	25,189
Parts and supplies	500	2,759	(2,259)
Insurance	1,000	-	1,000
Equipment	1,000	-	1,000
Subscriptions	18,000	18,274	(274)
Freight	-	16	(16)
Total cable	<u>57,500</u>	<u>32,860</u>	<u>24,640</u>
Garbage and recycling:			
Salaries and benefits	57,000	71,391	(14,391)
Parts and supplies	2,500	1,283	1,217
Insurance	1,500	1,265	235
Equipment	500	-	500
Repairs and maintenance	1,000	-	1,000
Freight	250	33	217
Fuel	25,500	10,541	14,959
Total garbage and recycling	<u>88,250</u>	<u>84,513</u>	<u>3,737</u>
Apartment building:			
Salaries and benefits	-	284	(284)
Outside services	1,500	20	1,480
Parts and supplies	5,000	113	4,887
Insurance	2,500	5,319	(2,819)
Equipment	2,500	-	2,500
Repairs and maintenance	1,100	-	1,100
Fuel	100	325	(225)
Freight	200	-	200
Miscellaneous	900	-	900
Total apartment building	<u>13,800</u>	<u>6,061</u>	<u>7,739</u>
Total public works	<u>407,550</u>	<u>210,421</u>	<u>197,129</u>

(Continued)

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Port authority:			
Harbor:			
Salaries and benefits	\$ 55,500	76,802	(21,302)
Contractual services	15,000	26,765	(11,765)
Travel and per diem	3,500	11,310	(7,810)
Parts and supplies	2,000	18,665	(16,665)
Insurance	-	21,069	(21,069)
Equipment	5,000	6,000	(1,000)
Repairs and maintenance	500	-	500
Fuel	-	118,977	(118,977)
Freight	-	171	(171)
Dues and fees	3,000	-	3,000
Telephone	-	926	(926)
Miscellaneous	16,276	-	16,276
Total harbor	100,776	280,685	(179,909)
Dock and warehouse:			
Salaries and benefits	27,000	22,955	4,045
Contractual services	-	1,142	(1,142)
Parts and supplies	10,000	6,455	3,545
Insurance	7,600	10,342	(2,742)
Electricity	-	42,901	(42,901)
Fuel	-	2,491	(2,491)
Repairs and maintenance	1,500	-	1,500
Postage	-	104	(104)
Miscellaneous	500	-	500
Total dock and warehouse	46,600	86,390	(39,790)

(Continued)

CITY OF AKUTAN
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Airport:			
Salaries and benefits	\$ 170,000	292,619	(122,619)
Contractual services	14,000	-	14,000
Outside services	16,500	37,529	(21,029)
Travel and per diem	-	4,935	(4,935)
Parts and supplies	3,500	37,081	(33,581)
Freight	-	6,910	(6,910)
Rent	15,911	15,911	-
Insurance	12,300	4,048	8,252
Equipment	1,000	6,249	(5,249)
Building	22,000	-	22,000
Repairs and maintenance	3,000	-	3,000
Telephone	10,000	10,491	(491)
Cable	2,500	1,398	1,102
Fuel	165,000	130,047	34,953
Dues and fees	500	-	500
Miscellaneous	20,000	-	20,000
Total airport	<u>456,211</u>	<u>547,218</u>	<u>(91,007)</u>
Total port authority	<u>603,587</u>	<u>914,293</u>	<u>(310,706)</u>
Total expenditures	<u>2,801,137</u>	<u>2,724,436</u>	<u>76,701</u>
Excess of revenues over expenditures	<u>500,033</u>	<u>1,023,775</u>	<u>523,742</u>
Other financing sources (uses):			
Transfers out:			
Electric Enterprise Fund	(605,794)	-	605,794
Geothermal Development Special Revenue Fund	(130,000)	-	130,000
AHFC Duplex Construction Capital Project Fund	(5,000)	(5,000)	-
Water Sewer Capital Fund	(130,000)	(25,000)	105,000
Fuel and Gas Special Revenue Fund	(289,000)	(102,727)	186,273
Permanent Special Revenue Fund	-	(5,302)	(5,302)
Water and Sewer Enterprise Fund	(104,300)	(82,203)	22,097
Other Capital Projects Capital Project Fund	(464,674)	(200,000)	264,674
Boat Harbor Capital Project Fund	(300,000)	(1,405,000)	(1,105,000)
Total other financing uses	<u>(2,028,768)</u>	<u>(1,825,232)</u>	<u>203,536</u>
Net change in fund balance	<u>\$ (1,528,735)</u>	<u>(801,457)</u>	<u>727,278</u>
Beginning fund balance		<u>6,301,934</u>	
Ending fund balance		<u>\$ 5,500,477</u>	

CITY OF AKUTAN

Permanent Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2020

Revenues - local- investment income	\$ <u>87,171</u>
Expenditures - general government - Investment fees	<u>6,267</u>
Excess of revenues over expenditures	80,904
Other financing sources - transfers in	<u>5,302</u>
Net change in fund balance	86,206
Beginning fund balance	<u>1,602,371</u>
Ending fund balance	\$ <u><u>1,688,577</u></u>

CITY OF AKUTAN

Boat Harbor Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2020

Revenues:

Intergovernmental:

State of Alaska	\$ 103,538
Local sources - other	81,500
Total revenues	<u>185,038</u>

Expenditures:

Public works:

Contractual services	76,985
Outside services	693,130
Fuel	11,572
Travel and per diem	33,800
Parts and supplies	4,713
Rent	22,023
Insurance	4,857
Freight	135,367
Equipment	119,028
Utilities	25
Other	118
Total expenditures	<u>1,101,618</u>

Excess (deficiency) of revenues

over expenditures (916,580)

Other financing sources - transfers in

1,405,000

Net change in fund balance

488,420

Beginning fund balance

10,000

Ending fund balance

\$ 498,420

CITY OF AKUTAN

Other Capital Projects Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2020

Revenues:	
Local sources - investment income	\$ <u>12,172</u>
Expenditures:	
Public works:	
Contractual services	356
Outside services	14,987
Travel and per diem	4,000
Parts and supplies	12,060
Freight	11,650
Equipment	<u>16,490</u>
Total public works	<u>59,543</u>
Capital Outlay	<u>7,739</u>
Total Expenditures	<u>67,282</u>
Excess (deficiency) of revenues over expenditures	(55,110)
Other financing sources:	
Transfers in	<u>200,000</u>
Net change in fund balance	144,890
Beginning fund balance	<u>47,409</u>
Ending fund balance	\$ <u><u>192,299</u></u>

CITY OF AKUTAN

Water and Sewer Capital Projects Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2020

Revenues:	
Intergovernmental:	
Federal sources	\$ <u>845,436</u>
Expenditures:	
Public works:	
Salaries and benefits	81
Contractual services	5,566
Outside services	4,313
Parts and supplies	2,278
Freight	<u>31</u>
Total public works	<u>12,269</u>
Capital outlay	<u>7,324</u>
Total expenditures	<u>19,593</u>
Excess of revenues over expenditures	825,843
Other financing sources:	
Transfer in	<u>25,000</u>
Net change in fund balance	850,843
Beginning fund balance	<u>(886,239)</u>
Ending fund balance	\$ <u><u>(35,396)</u></u>

CITY OF AKUTAN

Other Governmental Funds
Combining Balance Sheet
June 30, 2020

<u>Assets</u>	<u>Special Revenue Funds</u>			<u>AHFC Duplex Construction Capital Project Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Fuel and Gas</u>	<u>Geothermal Development</u>	<u>CARES Act</u>		
Cash and investments	\$ -	799	-	-	799
Receivables:					
Accounts	16,947	-	-	-	16,947
Grants	-	-	9,651	-	9,651
Allowance for doubtful accounts	(15,000)	-	-	-	(15,000)
Due from other funds	-	252,076	-	29,812	281,888
Fuel inventory	120,972	-	-	-	120,972
Total assets	<u>122,919</u>	<u>252,875</u>	<u>9,651</u>	<u>29,812</u>	<u>415,257</u>
<u>Liabilities, Deferred - Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	94,275	-	4,711	-	98,986
Accrued payroll and benefits	2,345	-	-	-	2,345
Due to other funds	10,759	-	4,940	-	15,699
Total liabilities	<u>107,379</u>	<u>-</u>	<u>9,651</u>	<u>-</u>	<u>117,030</u>
Deferred inflows of resources:					
Unavailable revenue	500	-	-	-	500
Total liabilities	<u>107,879</u>	<u>-</u>	<u>9,651</u>	<u>-</u>	<u>117,530</u>
Fund balances:					
Nonspendable	120,972	-	-	-	120,972
Committed	-	252,875	-	29,812	282,687
Unassigned	(105,932)	-	-	-	(105,932)
Total fund balances	<u>15,040</u>	<u>252,875</u>	<u>-</u>	<u>29,812</u>	<u>297,727</u>
Total liabilities and fund balances	\$ <u>122,919</u>	<u>252,875</u>	<u>9,651</u>	<u>29,812</u>	<u>415,257</u>

CITY OF AKUTAN

Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	Special Revenue Funds			AHFC Duplex Construction Capital Project Fund	Total Other Governmental Funds
	Fuel and Gas	Geothermal Development	CARES Act		
Revenues:					
Federal sources	\$ -	-	9,651	-	9,651
Local sources:					
Charges for services	98,527	-	-	-	98,527
Investment income	-	2	-	-	2
Total revenues	<u>98,527</u>	<u>2</u>	<u>9,651</u>	<u>-</u>	<u>108,180</u>
Expenditures:					
Current:					
Public works:					
Salaries and benefits	69,051	39	3,096	-	72,186
Contractual services	-	4,377	913	-	5,290
Outside services	10	-	-	-	10
Insurance	6,594	-	-	-	6,594
Equipment	340	-	-	-	340
Utilities	3,247	-	-	-	3,247
Gasoline	11,759	-	-	-	11,759
Diesel	290,233	-	-	-	290,233
Freight	526	-	-	-	526
Postage	-	-	234	-	234
Parts and supplies	6,606	-	5,408	-	12,014
Miscellaneous	-	45	-	-	45
City fuel use	(187,112)	-	-	-	(187,112)
Total expenditures	<u>201,254</u>	<u>4,461</u>	<u>9,651</u>	<u>-</u>	<u>215,366</u>
Excess (deficiency) of revenues over expenditures	(102,727)	(4,459)	-	-	(107,186)
Other financing sources:					
Transfer in	<u>102,727</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>107,727</u>
Net change in fund balances	-	(4,459)	-	5,000	541
Beginning fund balances	<u>15,040</u>	<u>257,334</u>	<u>-</u>	<u>24,812</u>	<u>297,186</u>
Ending fund balances	<u>\$ 15,040</u>	<u>252,875</u>	<u>-</u>	<u>29,812</u>	<u>297,727</u>

CITY OF AKUTAN

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Grant Title	Grant Number	Pass Through Identifying Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expenditures
U.S. Department of Agriculture					
Direct					
Water and Wastewater Disposal Systems for Rural Communities	None		10.760	972,405	845,436
Water and Wastewater Disposal Systems for Rural Communities	None		10.760	134,000	134,000
Total U.S. Department of Agriculture				<u>1,106,405</u>	<u>979,436</u>
U.S. Department of Treasury					
Passed through the State of Alaska, Department of Commerce, Community, and Economic Development					
COVID-19 Coronavirus Relief Fund	None	20-CRF-005	21.019	<u>1,888,529</u>	<u>9,651</u>
Total Federal Financial Assistance				<u>\$ 2,994,934</u>	<u>989,087</u>
Reconciliation to federal source revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit):					
Total Federal financial assistance					\$ 989,087
The USDA Loan is not treated as a revenue in the financial statements; however it is required to be presented on this schedule in accordance with Uniform Guidance. The loan is recorded in the Business-type activities and Enterprise funds					<u>(134,000)</u>
					<u>\$ 855,087</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF AKUTAN

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Akutan under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Akutan, it is not intended to and does not present the basic financial statements of the City of Akutan.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The City of Akutan has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.

Note 4. Subrecipients

The City of Akutan did not pass any federal funds through to subrecipients during the year ended June 30, 2020.

Note 5. Federal Loan Balances

The balance of federal loans outstanding at June 30, 2020 for USDA Water and Wastewater Disposal Systems for Rural Communities is \$134,000.

COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the City Council
City of Akutan,
Akutan, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Akutan's, basic financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Akutan's, internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Akutan's, internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Akutan's, internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Members of the City Council
City of Akutan, Alaska

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Akutan's, financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Akutan's, internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
March 23, 2021

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the City Council
City of Akutan
Akutan, Alaska

Report on Compliance for Each Major Federal Program

We have audited the City of Akutan's, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of City of Akutan's, major federal programs for the year ended June 30, 2020. City of Akutan's, major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Akutan's, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Akutan's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Akutan's, compliance.

Members of the City Council
City of Akutan

Opinion on Each Major Federal Program

In our opinion, the City of Akutan's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of City of Akutan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Akutan's, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Akutan's, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska
March 23, 2021

CITY OF AKUTAN

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Financial Statements

Type of auditor's report issued on whether the financial
statements were prepared in accordance with GAAP:

Unmodified

Is a going concern emphasis-of-matter paragraph
Included in the audit report?

_____ Yes x No

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified?

_____ Yes x None reported

Noncompliance material to financial statements noted?

_____ Yes x No

Federal Awards

Internal Control over major programs (2 CFR 200.516 (a)(1)):

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None reported

Any material noncompliance with provisions of laws,
regulations, contracts, or grant agreements related
to a major program (2 CFR 200.516 (a)(2))?

_____ Yes x No

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200,
Section .516(a) (3) or (4)?

_____ Yes x No

Identification of major program:

CFDA Number

10.760

Name of Federal Program

Water and Wastewater Disposal
Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes x No

CITY OF AKUTAN

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

The City did not have any findings related to the financial statements.

Section III – Federal Award Findings and Questioned Costs

The City did not have any findings or questioned costs related to the federal awards.